

**CITY OF MOUNTAIN VIEW
MEMORANDUM**

DATE: January 21, 2003

TO: City Council

FROM: Michael J. Percy, Principal Planner

SUBJECT: JANUARY 21, 2003 STUDY SESSION—APPLICATION TO AMEND
AMERICANA CENTER PRECISE PLAN TO ALLOW NONPROFIT
MEDICAL OFFICE COMPLEX

PURPOSE

The purpose of this study session item is twofold:

1. To provide background for the Council regarding community development issues that may be of concern regarding use of the former Emporium site for a large-scale, nonprofit medical office complex; and
2. To provide information to the Council regarding past applications related to this site and/or land use and current staff assignments in preparation for consideration of "gatekeeper" ordinance authorization to process this application.

BACKGROUND

Community Development—On December 6, 2002, the Palo Alto Medical Foundation/Camino Medical Group submitted a letter (Attachment 1) requesting gatekeeper ordinance consideration of an application to amend the Americana Center Precise Plan to allow a 200,000 square foot medical office complex on Area C, the Gateway Site (former Emporium site). The Foundation has been looking for a site in the Mountain View/Sunnyvale area for some time now to replace their current facility in Sunnyvale. This study session is the latest in several meetings the Foundation has had with the City as part of this search, including a gatekeeper ordinance review in early 2002 of an application to amend the Zoning Ordinance to allow a higher floor area ratio (FAR) for a medical office campus development at El Camino Real West and Phyllis Avenue and a July 16, 2002 study session on possible use of the Emporium site.

At the time of the July 16 Council study session, the Foundation had not yet finalized their development concept for the Emporium site. They sought primarily to present the Council with general information about what the Foundation does, how many residents of Mountain View (and other communities) they serve, and what types of services and facilities they might provide at a new medical office complex. At the time, it was noted that medical offices were not specifically mentioned in the Precise Plan but that there was the possibility that the Council could consider this use without a Precise Plan amendment as a "provisionally permitted" service use. This issue has since been clarified as a result of the rewrite/update of the Commercial Zoning Districts which included establishing that medical offices are a distinct and separate land use category, distinct from both regular offices and from other service uses. Therefore, this request to allow the Foundation to build a medical complex at the Emporium site will require a Precise Plan amendment to add the medical office land use category be added to the Precise Plan.

At the July 16 study session, the Council was not reviewing any specific application or proposal but did discuss potential issues that related to this development potential. At the time, the Foundation noted that they may need up to 300,000 square feet of floor area for their facility. This exceeded the allowed floor area for either the "offices" or "services" categories in the Americana Center Precise Plan by about 100,000 square feet, so the scale of development was one concern that was noted. Several Councilmembers also noted concern with financial and community development impacts of using this large, prominent, "100 percent commercial corner" for a noncommercial, nonrevenue-generating land use. A nonprofit organization, which develops a site for their continued use, would pay no property tax, no Housing Impact Fee and would, for this service-type use, generate only minimal sales tax. Another concern Councilmembers noted was that this site is one of only three in Mountain View designated for a major regional or community-serving commercial use and the only site that is currently available for a major new commercial development. Finally, Councilmembers also noted the positive services the Foundation provides to the residents of the community and expressed interest in trying to help the Foundation find a site for a major facility somewhere in the community. (See July 16, 2002 minutes—Attachment 2.)

Gatekeeper Ordinance—On August 7, 2001, the City Council adopted an urgency ordinance that requires all private-party applications for a General Plan or precise plan amendment to be first forwarded to the Council for authorization to process the application. This "gatekeeper" ordinance was adopted to allow the Council to evaluate the estimated amount of time and City resources an application would take to process, the currently available resources and the relative priority of the subject application in

relation to other work that might be assigned to those resources. This urgency gatekeeper ordinance remains in effect until August 7, 2003 unless the Council decides to terminate the ordinance prior to its sunset date.

The December 6, 2002 letter from the Palo Alto Medical Foundation requests such gatekeeper consideration. The formal consideration of this gatekeeper request is currently scheduled for February 11, 2003. Under the terms of the urgency ordinance, the Council will review whether the application should be processed by staff based on four criteria:

- a. The effect this application may have on other current pending requests and assignments and staff's ability to handle other anticipated requests or other assignments;
- b. Whether the request should be combined with other requests, deferred until it can be combined with additional requests or otherwise coordinated with other plan amendment considerations;
- c. If the request is to be approved, the Council shall identify available staff resources to process and study the request, including the environmental analysis, and direct staff, to the extent necessary, regarding the priority of this request relative to other work items; and
- d. The Council shall consider whether this particular request affects the same or similar properties as have been studied in the past, particularly with respect to the fairness of committing additional resources to areas that have been studied extensively in the past.

The gatekeeper review does not involve any analysis of the merits of the proposed amendment, which must go through its own fact-finding evaluation and public hearing review. Furthermore, the Council authorizing staff to process the application does not, in any way, indicate support for the proposed amendment. The gatekeeper review is only a determination of workload and priority of processing this application relative to the workload and resources assigned to all other planning studies and to the appropriateness of reviewing this application given recent previous reviews of the same site or subject matter.

This study session provides the opportunity to inform the Council about current projects being worked on and about potentially available staff that could be assigned to this project. It also provides an opportunity for the Council to identify any concerns or

additional information about the gatekeeper criteria the Council wishes to have presented for the upcoming formal gatekeeper ordinance consideration.

ANALYSIS

Community Development—At the previous July study session on the Foundation's possible proposal to use this 9-1/2 acre site for a medical complex, three core community development issues were raised: (1) the potential size of the complex requiring a precise plan amendment to allow additional floor area; (2) the loss of a key large-scale commercial development site; and (3) the revenue impact on the City.

Scale of Development—Of these three concerns, the Foundation has now limited the scale of their proposed facility to 200,000 square feet, which would be consistent with the Precise Plan's 0.50 floor area limitation for other office uses. It is noted that separate from the floor area issue there could be some other development scale issues that may affect the review and approval of a specific development project (should the land use be allowed). Since the general parking demand for medical offices is higher, potentially significantly higher than for general offices, it is likely that some sort of parking structure will be required. Depending on how that parking structure is accommodated on the site, it could result in additional structure bulk on the site not covered by the FAR limit.

Loss of Commercial Opportunity—Regarding the loss of a major commercial space, this site has several unique characteristics. First, it is the only unoccupied site in Mountain View that is commercially zoned, more than an acre in size, located on a major commercial street and having direct freeway visibility and access. This site is identified in both the General Plan and the Americana Center Precise Plan as a gateway and landmark for the community and as a major community or regional retail site. The current Precise Plan allows a variety of commercial developments on the site, including a full variety of retail uses (although limited to no more than 50,000 square feet of floor area per tenant), hotels, restaurants and other customer services uses. The Precise Plan also allows office uses, mixed-use developments and residential on a portion of the site. The Plan specifically prohibits big-box retail and automobile sales uses. This site, and its zoning and General Plan designation, provides a unique economic resource to the community. All other commercially zoned sites in the community are much smaller (usually under one acre in size) and almost all are fully developed. Looking at properties that have similar direct freeway visibility and access, they are smaller, fully developed and/or industrially or residentially zoned and so also not available for major new commercial development.

Based on developer or investor contacts with City staff, the Emporium site is primarily attractive to larger retailers (Kohl Department Stores and REI were recent contacts, for example), hotels and residential/mixed-use developers. Over the past six years, the City has approved a hotel/office/health club mixed-use development and a Home Depot Expo development.

It is noted that the site has remained undeveloped for about eight years now. The site and existing building are becoming more blighted-looking. The fact that it is leased property has also raised concerns with some developers. From past studies of the site and extensive public input, the City is well aware of the constraints and opportunities of the site. From discussions with parties interested in the site, there are major commercial uses that could successfully fit on this property.

Concerns about the loss of a major commercial space and impact on future City revenue remain significant issues. While the gatekeeper process does not involve consideration of the merits of an application, the Foundation has expressed interest in receiving input from the Council regarding whether these issues are seen as insurmountable obstacles to their proposal.

Loss of Community Revenue—Regarding the community revenue issue, it is difficult to estimate the potential future loss of City revenue that could result from the proposed nonprofit development. One estimate was provided by the Home Depot Corporation for their big-box retail use of the site. They estimated total sales in the range of \$50 million per year, which would have netted a sales tax revenue to the City of about \$500,000. In addition, the City would have received increased property tax from the new development, and development today would pay a one-time Housing Impact Fee based on the use and floor area. For the Home Depot development, it is roughly estimated that Mountain View's share of the first year's property tax would have increased from the current \$75,000 per year to approximately \$300,000 per year based on valuation of a new warehouse-type building. The Housing Impact Fee would have been approximately \$250,000. The economic impact analysis for the site, commissioned by the City in 1998, indicated that Transient Occupancy Taxes (TOT) from a hotel development of the site would have been the same or greater than the sales tax revenue from a big-box retail use. Property tax would have likely been greater due to the more expensive building for a hotel. The Housing Impact Fee would have been similar based on the development mix proposed at the time. A high-end office development of the site, which is also allowed by the Precise Plan, would have generated little sales tax but would have generated considerably more property tax and Housing Impact Fee—approximately \$620,000 a year in property tax and a one-time \$2.1 million in Housing Impact Fees. A nonprofit development would generate none of these taxes or fees, with

the possible exception of some incidental sales taxes if the medical center included a gift shop or pharmacy. This would affect both Mountain View's budget and that of other agencies.

Gatekeeper Issues Workload—The Advance Planning Division of the Community Development Department is the staff that would normally work on the subject application. This Division currently has two staff members and one vacant position which is remaining vacant under the current budget conditions. Through the recently adopted Housing Element or prior project assignments by the City Council, the Division is scheduled to work on the following projects: Downtown Precise Plan update; initiation of Housing Element zoning considerations, including Alice/Moorpark, Moffett/Middlefield and Mayfield Mall; developing design guidelines for rowhouse form of housing; working on a permanent Historic Preservation Ordinance; and initiating the Mayor's Award Program. In addition, staff resources need to be reserved for Environmental Planning Commission (EPC) training and administration, for other applications for rezonings, General Plan and precise plan amendments and for responding to EPC and City Council initiatives. The Housing Element rezonings and the Mayor's Award Program are scheduled to begin early 2003. The Downtown Precise Plan and Housing Element scheduled implementation (excluding Mayfield Mall) consumes approximately 1.25 full-time-equivalent (FTE) staff. EPC and other administration and responding to applicant inquiries and EPC and City Council initiatives consumes approximately 0.50 FTE. The Mayfield Mall Precise Plan amendment is expected to be a significant work item with extensive neighborhood involvement and is expected to consume 0.75 FTE if initiated by either the City or by a private developer now that the property is on the market. These projects already consume more resources than are assigned to Advance Planning, requiring use of other staff to supplement available resources.

It is estimated that the Americana Center Precise Plan amendment will require in the range of 0.25 to 0.35 FTE, mainly depending on the complexity of potential environmental issues and neighborhood involvement. Working on this project would either require deferral of other projects or borrowing additional staff from other Community Development divisions. It is noted that the applicants would pay the cost of outside consultants needed for analysis of the proposed Precise Plan amendment (for example, for environmental studies). The City could also try to use consultants to work on the Precise Plan document itself and charge those costs to the applicant on a reimbursement basis as has been done with at least one other precise plan in Mountain View. However, staff will still be needed to manage the consultants. It is noted that in the past it has been difficult to find consultants with as much experience with precise plans as current City staff.

Previous Reviews—In addition to the workload/resources issue, the gatekeeper ordinance also includes a criterion concerning whether this site or topic has been previously worked on in the recent past. Regarding the Emporium site, the City has reviewed potential land use and development standards on the site five times in the past six years, including three major land use and standards reviews over the past two years, one initiated by the City leading to the existing Precise Plan and two initiated by Home Depot Corporation. Some of this work can be used during evaluation of any medical complex proposal, especially related to environmental issues, but most of the analysis will be new due to the different scale of building and type of land use proposed here.

The large-scale medical office complex land use or building type has not been analyzed in depth within the past five years. While there is currently some review occurring in relation to the El Camino Hospital reconstruction, the issues of parking, mix of uses, facilities and services associated with the Foundation's proposal will need to reflect the changing character of the health-care field. There was a brief review of the Council's interest in a considerably smaller medical complex (about 50,000 square feet in floor area) about a year ago in conjunction with the Foundation's application to amend the Zoning Ordinance to increase the allowed floor area ratio to accommodate the use. The Council decided not to authorize staff review of the application at that time.

In summary, the subject site has been studied extensively in the recent past, and the City's development policies related to this site have been reviewed, modified and reconfirmed over the past two years. On the other hand, medical office use has not been studied in depth on this site or any other site in Mountain View within the past five years. There do not appear to be any other proposals that could be combined with this application.

SUMMARY

This study session provides the Council the opportunity to provide comments to staff and the applicant, Palo Alto Medical Foundation, regarding potential community development and financial impacts of the proposal to develop a major medical services office complex on the former Emporium site on Area C of the Americana Center Precise Plan. Key issues include the potential change in the community development policy that calls for a landmark and gateway commercial use of this unique site and the potential future loss of revenue from a nonprofit development of this scale on the negative side. On the positive side, this application offers the potential for near-term

redevelopment of this property and provides a location for health care use that serves Mountain View and other communities.

This study session allows the opportunity for Councilmembers to identify concerns and issues that they feel should be a part of any future analysis of the Foundation's proposal. The study session also provides background information on current and projected long-range planning studies in relation to this application, needed and available resources for those studies and recent previous reviews of the subject site and land use proposal. The Council may use this opportunity to identify additional information

related to the gatekeeper ordinance criteria in preparation for future formal gatekeeper evaluation currently scheduled for February 11, 2003.

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Attachments: 1. Letter Dated December 6, 2002 from the Palo Alto Medical Foundation
2. July 16, 2002 City Council Study Session Minutes
3. Americana Center Precise Plan